

Fiscal Note

Fiscal Services Division



SF 366 – Peace Officers’ Retirement System Disability Benefits (LSB2320SV.1)
Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.iowa.gov)
Fiscal Note Version – As amended by H-1180 (House State Government Committee)

Description

Senate File 366, as amended by **H-1180**, relates to the reexamination and recalculation of an accidental or ordinary disability retirement benefit for a beneficiary under 55 years of age under the Public Safety Peace Officers’ Retirement, Accident, and Disability (POR) System.

Background

- Under current law, disability retirees in the POR System under age 55 are permitted total earnings, including disability pension payment and reemployment wages, equal to 1.5 times the current earnable compensation of an active member at the same position on the salary scale as the member’s rank held at retirement. If a disability retiree’s earnings exceed the limit, the POR System benefits are reduced by the amount the retiree has exceeded the limit or are repaid to the POR Fund by the retiree.
- At age 55, disability retirees are no longer subject to the earnings limit.
- As of February 28, 2015, there are 17 disability retirees under age 55 that may be subject to the retiree earnings limit.
- The following table shows the history of disability retirement benefit repayment amounts at 1.5 times the earnable compensation.

Disability Retirement Benefit Repayment Amounts

Calendar Year	Amount Over the Earnings Limit	Number of Retirees Impacted
2010	\$ 28,892	Two
2011	23,706	One
2012	29,912	One
2013	33,542	One
	<u>\$ 116,052</u>	

- As of July 1, 2014, the POR System had assets totaling \$360.1 million, an unfunded actuarial liability of \$155.8 million, and a funded ratio of 69.80%. There are currently 1,194 members of the POR System, including 578 active members. The average age of an active member is 41.6. The average years of service equal 16.3. The average annual wage of a POR member is \$74,516.
- The Municipal Police and Fire Retirement System (411 System) and the Iowa Public Employees’ Retirement System (IPERS) Special Service members have similar earning limitations under Iowa Code sections [411.6\(7\)](#) and [97B.50A\(7\)\(b\)](#), respectively.

Assumptions

- The example wage in the table below is \$80,000 and the example disability allowance is \$40,000.
- The retiree will continue to receive a minimum of 50.0% of the POR benefit that is otherwise payable at a value of approximately \$20,000.
- The example in the table below shows the range between \$80,000 and \$100,000 in earnings from outside employment that will receive a dollar-for-dollar reduction from the POR disability allowance. Any outside earnings up to \$80,000 or greater than \$100,000 will not receive any reductions.

Proposed Increase in Disability Retiree Earnings Limit

	Example
Wages based on active member with same rank as retiree	\$ 80,000
Multiplier	1.5
Maximum combined earnings and POR benefit	\$ 120,000
Maximum calculated above	\$ 120,000
Disability retirement allowance	-40,000
Maximum earnings allowed without POR benefit reduction	\$ 80,000
50.0% POR benefit allowance	20,000
Earnings above this level exempt from POR benefit reduction	\$ 100,000

Fiscal Impact

[Senate File 366](#), as amended by [H-1180](#), has no impact to the State General Fund.

The fiscal impact of this legislation will vary depending on the situation of each eligible retiree. The impact to the POR System will vary from year to year depending on the number of retirees subject to the change and how much each eligible person earns. Based on the example above, the retiree is permitted earnings from other employment up to \$80,000 before a penalty will be implemented. Any earnings over \$80,000 up to \$100,000 will receive a dollar-for-dollar reduction from the disability allowance. Any earnings above \$100,000 will result in no additional reduction from the disability allowance.

Source

Department of Public Safety

/s/ Holly M. Lyons

April 9, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
